

To: Government Oversight Committee

**From: Department of Education
Department of Human Services**

Subject: Medicaid Local Education Agency Services

Date: February 16, 2005

Background

Public Law-In 1988, PL 109-260 clarified that federal Medicaid funds must be made available for reimbursement for the cost of health related services contained in the Individual Education Plan (IEP) of a child receiving special education services. The Code of Federal Regulations states –“The federal regulations in the Individuals with Disabilities Education Act (IDEA) provide that the financial responsibility of certain non-educational public agencies ‘including the state Medicaid agency and other public insurers of children with disabilities, shall precede the financial responsibility of the local education agency (or the state agency responsible for developing the child’s IEP)’ 34 CFR section 300.142(a)(1).”

In 1988, the Iowa Department of Human services (DHS) as the Iowa Medicaid agency, amended Iowa’s Medicaid State Plan to allow reimbursements to the Area Education Agencies (AEAs) for Individual Education Plan documented services provided by the AEA to Medicaid covered children.

Program Development and Implementation

In 2000, both DHS and the Department of Education (DE) determined that Iowa Medicaid could provide a broader array of coverage and more fully meet the requirement of covering the health related services provided to children receiving special education services under the Federal IDEA law per their Individual Education Plan. There was no alternative for additional funding to the Medicaid program to provide the state match. Therefore it was determined that the Medicaid program would cover the services and the school districts would need to return the state dollars to Medicaid and certify the state match. A work group was formed by the Department of Education and Medicaid to determine which services would be covered under the new program. After reviewing information from other states, a recommendation was made to Medicaid as to the services to be covered.

In 2001, the Iowa Department of Human Services (DHS) amended Iowa’s Medicaid State Plan to allow reimbursements to a Local Education Agency (LEA)

for Individual Education Plan documented services provided by the LEA to Medicaid covered children. Iowa Administrative Code rules became effective March 1, 2001. Medicaid defines a LEA as “public school districts accredited by the Iowa Department of Education, the Iowa Braille and Sight-Saving School, and the School for the Deaf.”

In February 2001, several trainings occurred throughout the state. All school districts and area education agencies were invited at that time.

The DE determined that they needed a staff person to provide technical assistance to the school districts considering enrollment in Medicaid. In February 2002, Dann Stevens was hired by DE as Program Consultant-Medicaid to provide this service. In addition to this DE assistance, the provider field representatives from ACS, the Medicaid fiscal agent, do individual on site training upon request. A copy of the training material from the 2001 sessions has been provided to Jennifer Vermeer.

At the time of the DE hire of Mr. Stevens, there were two private billing services contracting with districts in the state. *Leader Services*, based in Pennsylvania, is a group with clients in eight different states. *MJ Care* is based in Wisconsin and serves clients in Wisconsin and Iowa. Both have experience with Medicaid claiming for Individual Education Plan services in other states, before entering the Iowa market. Both companies are still working with districts in the state. A third billing service option was developed in November of 2003. The Iowa Association of School Boards contracted with ClaimAid Consulting out of Indiana to work with local school districts on the filing of documents for Medicaid reimbursement. This program is called the Iowa Medicaid Education Disbursement (IMED) program

All of the districts in the Urban Education Network contracted with one of these providers in the spring of 2002, before the inception of the IMED program. Contracting with a private billing service is an option of the district – this is a voluntary action on the part of the district and not mandated by Medicaid or the DE. Many districts file claims on their own without using a private billing service.

In the fall of 2003, DE contracted with an independent Medicaid review organization, Iowa Foundation for Medical Care (IFMC). This contract was to conduct an informal informational review of five selected districts (Cedar Rapids, Ames, Bettendorf, Boyer Valley, and Marion) currently claiming Medicaid reimbursement for appropriate documentation. These five included districts sending claims on their own as well as those using the two billing services. The final report reflected that there was a diverse range of compliance regarding documentation of services. In addition, DE and the AEAs were piloting a claim submission process for LEA services in 2003-04. A documentation form was drafted and shown to IFMC for confirmation that it includes all of the required components. This form was then shared with all LEA providers and is available

on the DE web site as an example of what a compliant form might look like and the information to include.

In June of 2004, DE Director issued a memo to all districts regarding the Medicaid reimbursement for Individual Education Plan services and the need for documentation.

DE staff have delivered numerous presentations around the state to individual districts and groups of districts. Mr. Stevens has presented at the Iowa Association of School Boards (IASB) convention in November of 2003 on the Medicaid in Education option and requirements for documentation. He also presented at the April 2004 convention of the Iowa Association of School Business Officials (IASBO) on Medicaid reimbursement for districts. Each of these two statewide meetings recorded attendance in excess of fifty people.

In August of 2004, Mr. Stevens conducted two statewide ICN sessions to provide training on the required components for documentation of services. The final session was videotaped and a copy sent to each AEA as a resource for all districts.

Current Status

Since that time the program has incrementally grown. When DE filled the Program Consultant-Medicaid position in 2002 there were 17 districts actively sending claims for reimbursement to Medicaid. In the first seven months of the current state fiscal year, there have been over 120 districts that have sent a claim to Medicaid for reimbursement of services. Of the 367 local districts in the state, there are 235 with a Medicaid provider number and able to send a claim for reimbursement. During the last complete state fiscal year, LEAs received approximately \$9 million in federal Medicaid funds.

Currently DHS is interviewing for a position with the sole responsibility of auditing paid claims for AEA, LEA, and Early Access providers. This will supplement the ongoing Medicaid activities of the surveillance and utilization review (SURS) and payment error rate measurement (PERM) activities. Technical assistance through DE or the Medicaid provider relations unit continues to be available upon request. Recently the DE issued an RFP to review the cost methodology for education provider reimbursement rates. The proposed costs from both bidders were higher than the budgeted amount and there are plans to reissue another RFP in the spring as this task continues to be important.

DE staff continue to meet with districts regarding the Medicaid reimbursement of Individual Education Plan services. The topics will range from appropriate documentation to explanation of services covered by Medicaid.

Creston Situation

It is extremely important to note that there are some inaccuracies in the February 14 memo to the Oversight Committee from the Creston Community School District et al. These will be noted at the appropriate point in this chronological review of the Creston involvement with Medicaid reimbursement.

As early as November of 2002, IASB contacted DE staff to inquire about Medicaid claiming by the districts. For information only, Mr. Stevens attended two meetings with IASB and other parties prior to the IASB starting their pilot project. While Mr. Stevens did attend the meetings, it should be noted that it was always clear that DE did NOT endorse or sponsor any part of the billing service offered by the IASB. This was reaffirmed during the ICN session in November of 2003 (just prior to the IASB convention) with both Creston and Oelwein CSD staff. During this ICN, ClaimAid indicated the district was responsible for documenting their services and then sending the information on to them for processing. Mr. Stevens offered to assist any of the districts with training on appropriate documentation at a later time. ClaimAid has since adjusted its approach to include sharing the example form drafted by the DE through its pilot project.

Mr. Stevens confirmed that Medicaid does allow a district up to 12 months to send a claim for reimbursement, but also cautioned a district would need documentation of those services. While others may have promoted this 'back billing' of services, the DE has never recommended it. In fact, DE will always caution districts that they must have documentation of services prior to sending a claim for reimbursement to Medicaid. The decision on whether to claim for services during past periods of time is a district decision and not a requirement for participation. Many districts elect not to claim as they feel they do not have the appropriate documentation. Creston exercised its right to make a local decision on this issue and chose to "back bill" without appropriate documentation.

On February 1, 2004, Mr. Stevens received an email from Don Krings, Business Manager of Creston CSD, regarding an audit letter they received from Medicaid. Mr. Stevens traveled to Creston later that month and reviewed the letter with Mr. Krings. Mr. Stevens outlined the required components of documentation, similar to those guiding the draft of the AEA pilot project documentation form. Mr. Krings assured Mr. Stevens the district had this information and would send it to the auditors. Mr. Krings also shared that the district is learning the Medicaid claiming process and if they did something wrong, they would learn from it. He indicated at the time that the Medicaid funds had not been spent and if they were asked to return some it would not be a problem.

In the late spring of 2004, Mr. Stevens scheduled an ICN with Creston staff, including administration, for the purpose of adequate documentation. For unknown reasons, Creston did not participate in the scheduled meeting.

The results of the audit were shared with the district in May and so the financial impact would have all remained in the same fiscal year. This would not have caused any change in property taxes or have any other financial implications for the district. The finding of the audit was that the documentation components in general were not appropriate and NOT that the district failed to use any required form.

Mr. Stevens participated in a meeting the first week of August 2004 in the Creston CSD attorney's office to review documentation provided by the district. This was the first time Mr. Stevens had the opportunity to review the actual documents from the district. At that time, Mr. Stevens shared with the district and the legal counsel that some services did not have appropriate documentation.

Creston did have staff attending the August 2004 statewide ICN sessions on documentation mentioned earlier in this report.

The Creston memo indicates an activity of claiming for students from other districts and then sending the Medicaid federal funds on to the other districts. The process of claiming for non-resident students is another decision made by the district and not a requirement of participation with Medicaid. DE staff have cautioned districts across the state to proceed in this area only after both districts have a clear understanding of the process and accountability. Medicaid will only look to the provider that submitted the claim for reimbursement. Any further involvement is completely voluntary and at the discretion of the other parties.

The Creston memo also indicates "the federal government has 100 million dollars set aside for school Medicaid." This is not true as there is not a set amount allocated by the federal government. Medicaid is an entitlement program and so depending on the demand for the reimbursement, the exact amount will vary.

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